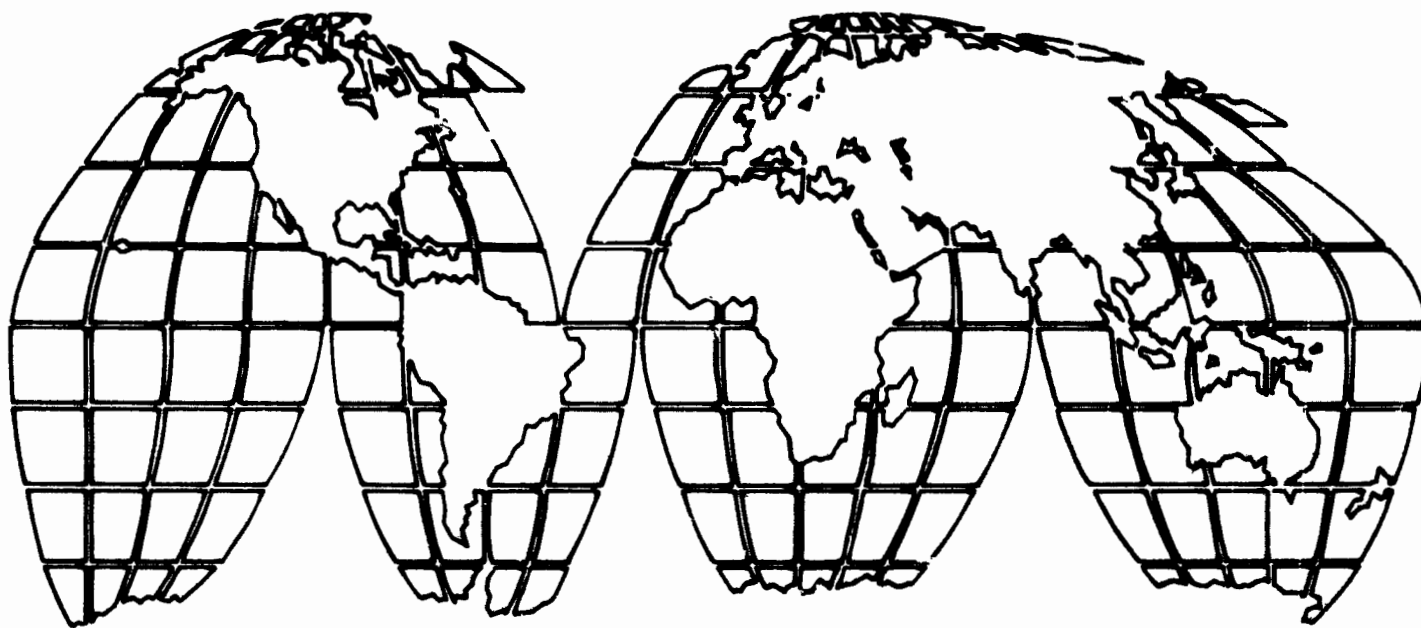


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The Evaluation of Small Enterprise Programs And Projects: Issues In Business And Community Development



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**THE EVALUATION OF SMALL ENTERPRISE PROGRAMS AND PROJECTS:
ISSUES IN BUSINESS AND COMMUNITY DEVELOPMENT**


A.I.D. Evaluation Special Study No. 13

by

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June 1983

**The views and interpretations expressed in this report are
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EXECUTIVE SUMMARY

There is considerable interest in the role of small enterprise development worldwide. Partly this reflects the sense among development professionals that small, labor intensive enterprise may be an appropriate mechanism for dealing with growing world unemployment. But it also reflects a felt need to understand the twenty to thirty year heritage of world-wide efforts to promote small enterprises so that future programs may have maximum effect. This paper deals with the first interest by summarizing some of the assumptions and knowledge regarding the development effects of small enterprise projects. Primarily, however, it deals with the second area of interest in its concern for recording and analyzing the assumptions and evidence regarding effective programs.

The first section of the paper emphasizes definitional questions. What do we mean by small enterprise? What can we conclude about the utility of such definitional efforts for the project design and evaluation process? These issues introduce the question of impacts and the appropriate centers of concern. They remind us of the continuum from single enterprise to business networks, and then communities; but also of the need to consider small enterprise (however defined) in a broader setting of potential relationships and impacts. As in the case of defining small enterprise, the issue of impacts--from the performance of firms to individual and community change--also presents ambiguities and difficulties which need to be considered in assessing project outcomes. Among the difficulties in determining the contribution of small scale enterprises to poverty reduction is the fact that research on the sector is quite limited. But that which does exist often provides positive indications of the sector's potential for the promotion of employment and the enhancement of income for the poorest, for the efficient use of capital, and in the development of integrative linkages forward and backward throughout the economy. This evidence is summarized.

The central remaining question is of causality. What do students and practitioners think determine successes in the expansion and sustaining of enterprise, and in the spread and growth of the benefits attributable to business development?

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The paper reviews causal factors under several headings seen as suggestive of the major differences in the emphasis of past projects. These include financial supports and economic conditions broadly defined, with an emphasis on the impacts of credit programs and financial intermediaries. They also include political and institutional factors (level and nature of inputs or constraints growing out of public policies), social and psychological conditions (social stratification and motivational influences on entrepreneurship) and finally the effects of project design and implementation efforts on enterprise viability and impact. Assumptions and evidence relating to each of the categories are reviewed and assessed. Some summary observations are made to suggest possible advantages of one type of approach over others in specific settings. However, the primary purpose of the discussion of cause and effect in this manner is to organize the diversity for the use of evaluation teams, rather than attempt to rank the largely bivariate explanations presented.

Yet, there are some organizing principles which can be useful for increasing evaluator sensitivity to similarities and differences in the projects. They may also highlight testable assumptions concerning how a project must bring together vital individual, social, political and environmental factors to produce important and sustainable benefits. Among those perspectives useful in comparing enterprise development projects are some based on differences in the priorities attached to material inputs as opposed to efforts to tap or enhance human motivation or community building activities. In the final section of the paper, these categories are considered along with others, including some which are more open-ended and less theoretical. An accompanying argument justifying their use in enterprise impact evaluation exercises suggests that they can aid teams to raise general questions about the sector and its dynamics from individual cases. They should also facilitate references to strategies and tactics not utilized in either the design or implementation process for a given project; and thereby provide an opportunity for comparative judgments about the applicability of those project approaches actually chosen.

The paper concludes with an appendix containing a listing of development indicators appropriate for small enterprise projects. The indicators are fairly common ones, and are drawn from some of the best known works in the field. The list is, however, more comprehensive than most others available; for it deals with the substantial range of concerns and outcomes sought through all the very different approaches to enterprise and community development considered in this issues paper.

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I. INTRODUCTION: DEFINITION AND OVERVIEW OF SMALL ENTERPRISE DEVELOPMENT

For the past quarter century there has been considerable interest in the promotion of small enterprise as a means for stimulating development efforts in poorer nations (Neck, 1977). Interest is presently at a relatively high level with many international agencies, developing country governments, and voluntary organizations focusing attention on small business enterprises (Devres, 1981). Fortunately, there is also concern among those involved to see that current efforts draw on past experiences, to avoid uncritical--and unknowing--replication of what has gone before. The United States Agency for International Development (AID) and the World Bank, as well as several private and voluntary organizations, are involved in a significant effort to evaluate past efforts so as to provide guidance for future programs.

It is unfortunate that relatively little is available in the way of rigorous or comparative evaluations of past small enterprise projects (Goldmark and Rosengard, 1981). But what is available can be combined with an abundant descriptive and speculative literature on the design and implementation and program outcomes to provide some guidance for future evaluation efforts. Such is the task for this issues paper. It will provide a first effort to draw together and summarize a larger body of materials in order to describe:

1. What we know and do not know about the links of development projects to the establishment and survival of small businesses; and of the relationship, in turn, of enterprise success to growth and equity.

2. The major strategies utilized in small enterprise development projects, and the assumptions on which they rest.

If successful, the paper will provide a full checklist of issues for those designing specific evaluation projects; but it should do more than that. It should also suggest how what is being evaluated corresponds with this paper's conception of the larger context of enterprise development projects. The ultimate goal of the work is to provide the basis for an active dialogue among evaluation teams and the eventual production of a more useful, validated set of

conclusions about the nature of effective small scale enterprise (SSE) projects.

The Small Scale Enterprise Sector

It is important to describe the small enterprise sector generally. But it is also important to suggest the difficulty of doing this, for its character is a nebulous one. It is, in fact, defined largely on the basis of the stage of economic development of a society and in light of the interests which a particular agency or government wishes to promote. Consequently, some have argued that efforts to "capture" it may be more interesting than useful (Neck, 1977). Still, we do need some sense of what the range of possibilities are before proceeding further.

Official definitions vary widely. Some countries have no definitions of the small enterprise sector, others use different ones, depending on the purposes. A recent study found more than 50 definitions in 75 countries (Neck, 1977). In some cases, these definitions are based on capital invested or turnover and these indicators, along with numbers of employees may be the most common. Among other standards are net worth of the entrepreneur, sales volume, range of markets covered, and amounts of energy used in production processes. The degree of specialization of management is also a consideration used (Staley and Morse, 1965). Many of these indicators are used in combination.

The diversity in classification may be less pronounced at the lower end of the size spectrum: One person firms, tiny family operations with start-up capital requirements as low as a few dollars, are obviously small firms. Even here, however, there are important distinctions to be drawn, principally among those who would or would not include in the enterprise sector farmers with small cash crops or on-farm processing activities even where hired labor is involved (Daines, Smith, Rodgers, and Mann, 1980). As firms grow larger, however, the differences are more apparent. The Agency for International Development's Office of Agriculture has suggested three dimensions, including labor intensity; and this means that firms with either the same number of employees or the same fixed assets may be classified differently, as the ratios may differ (Daines et al., 1980). But the upper limit in this case of 20 workers, \$50,000 in total assets, and \$5,000 in capital assets per workplace is still far lower than that applied by the World Bank. Its working definition of a small enterprise is one with no more than \$250,000 in fixed assets. But exceptions may be made,

especially where national definitions permit still larger firms to qualify for benefits as small enterprises. Moreover, the World Bank, AID and other development institutions often lack precise data on all firms receiving benefits and so we must assume that working definitions are in any event mainly rough guidelines. Finally, there is often sentiment to treat the upper limits as general targets rather than limits in particular instances, as there may be good and valid reasons to continue supporting a firm which grows past the boundary lines in the name of encouraging the most creative entrepreneurs.

Still, there are more common assumptions than have been suggested so far. Most involved with the sector would, if asked to characterize the group they work with, mention minimum specialization in management, the relative isolation of the firm from adequate information and resource supplies, and the tendency to rely on simpler, often indigenous, technologies and raw materials. They share a view of individuals or collectives operating in what the economist Harvey Leibenstein calls "dark" business settings, where important relationships and opportunities are obscured by the absence of established commercial relationships and adequate sources of current information on production practices or on the forces at work in the wider marketplace (Leibenstein, 1968). Finally, today's project designers would, unlike their counterparts of a decade or so ago, emphasize a more holistic perception of the sector--and attend to more than manufacturing operations. For most today, the sector would include wholesale and retail trading firms, maintenance and repair shops, transportation and construction firms, and service businesses. Manufacturing firms are naturally included, but there is greater sentiment than a decade or so previously to include (and emphasize the importance of) very small firms and the tiniest of agribusiness operations (MIDC, 1980; Farbman (ed.), 1981).

II. IMPACTS OF SMALL ENTERPRISE DEVELOPMENT A REVIEW OF THE LITERATURE AND SELECTED FIELD EXPERIENCE

Regarding small enterprise programs, the issue of impacts is twofold. There is first the question of the enterprises themselves. How many have been established; how many of those already operating have been given help in meeting problems; how many of the assisted firms are functioning and surviving profitably; and what indications are there that these firms will continue to survive? Secondly, there is the question of employee, as well as of wider community impacts. What are the effects on jobs and wages; and what changes in the community at large are traceable to the development of new small enterprises and to the support given to existing firms? Has there been measurable economic growth and a change in the pattern of distribution of basic goods and services in the direction of greater equity? Would the members of the community at large speak of an improvement in their quality of life? Or have there been significant costs, in environmental terms, for instance, or in the undermining of valued social or economic institutions? This section of the paper will provide a review of the literature on small enterprise development efforts and their impact in terms of both business and community development.

The Small Enterprise Sector: Its Growth and Measurement

Over the past two decades, poorer nations have come more to appreciate the importance of small enterprises in their societies and to recognize that their economies could not function without them. Along with the major donor agencies, these nations have therefore begun to treat urban and rural small enterprise development as a critical part of their development strategy (Neck, 1977). What effects have these efforts had? Unfortunately, answers are not easy to come by, partly because of the definitional issues raised in the previous section. But even where there is an agreed upon definition of small enterprise, there is little information regarding the number and type of these firms, particularly the smaller ones. A major national survey by the Government of India in 1974-75, aimed at gaining knowledge of the sector sufficient for future planning, found about 15 percent of registered firms were untraceable (Development Commissioner, 1976).

Yet, data collected through the registration process in India, and elsewhere by governments or researchers, suggest a significant and consistent increase in the number of small business firms operating in less developed nations.* Data on nine nations, compiled by Chuta and Leidholm (1979), from a variety of sources and covering a number of collection dates, shows yearly growth rates of 3.1 percent to 9.4 percent. In the five of these cases where data were available, there was also a definite growth in the percentage of rural laborers involved in small enterprise as opposed to farming activity (Chuta and Leidholm, 1979). Case studies of individual nations, sometimes relying on more impressionistic data, tend to confirm these findings. Numbers of registered small industrial firms in India, for instance, increased more than ten-fold over the decade preceding the national census effort (Development Commissioner, 1973). More recent studies of enterprise development in the Philippines indicate a dramatic surge in the numbers of such firms (Anderson and Khambatta, 1980). Very likely even these findings represent an undercounting; experienced students of small enterprise feel that you must multiply official records, and even the results of fairly elaborate census studies, by factors of two or three to get anywhere near an accurate counting of small enterprises--especially in rural areas (Liedholm, 1981).

There can be little doubt that some of the growth in numbers of firms and their share of the workforce is attributable to international and indigenous development programs. A large literature is available to suggest, and to an extent to document, the importance of these links; and many of the results from project case histories are impressive (Staley and Morse, 1965). Of course some may argue that a portion of the association between governmental action and small enterprise development is a negative one. Since many small firms can be operated with very limited resources and skills, and with family labor, they can be started when other employment opportunities are absent. Therefore, governments may sometimes stimulate enterprise by planning and implementation failures; or they may have less to do with the starting of firms than worldwide inflationary and recessionary pressures. A more positive version of this

*Moreover, small firms have played a larger, more significant role both in poor and rich societies than is commonly thought. They are integral to the smooth and effective functioning of all economies (Staley and Morse, 1965; Neck, 1977).

argument suggests that economic growth itself can sometimes be a more significant source of new economic activity in the small sector than are official programs or projects (World Bank, 1980). The truth almost certainly is represented in part by all these arguments and ultimately cannot be known in full. But we do need to know much more about the variation in the links between government efforts to stimulate small enterprise and the growth as well as the sustainability of that sector.

This is one of the reasons for seeking comparative impact evaluation data. We are also concerned with the linkages between enterprise performance and the overall growth and distribution processes in society. Therefore, we turn next to a determination of what the issues are, and what our knowledge is with respect to these relationships.

Economic and Community Impacts of Small Enterprise

1. Jobs, Income, and the Use of Scarce Resources

Because of population pressures and limits on land availability, and the relative scarcity of capital and foreign exchange in most developing countries, concern for job generation often focuses on activities and techniques of production that are labor intensive; that is, which generate a relatively high number of jobs per unit of scarce production factors. The argument in favor of small enterprise and small enterprise promotion often begins here, with the presumed advantages of small enterprises as sources of employment (Chuta and Leidholm, 1979; Neck, 1977).

There is considerable evidence that small enterprises are more labor absorptive than other segments of the economy (Daines; Morrow and Rogers, 1978). Some do challenge the evidence, since it is often based upon a simple capital/labor ratio for measuring labor absorptiveness; but the consistency of the findings and the size of the differences revealed do suggest a true difference (Bhalla, 1975). Moreover, the comparison holds in both urban and rural areas, though rural small enterprises appear from limited evidence to be more labor intensive than urban ones (Chuta and Leidholm, 1979). Generally, therefore, the evidence suggests small firms can and will deliver more employment per unit of investment. Impact evaluations can test these conclusions, and provide the basis for making distinctions among firms; for some small enterprises, and some production technologies, are doubtless superior on this account.

More controversy exists with regard to other "efficiency" issues. Arguments have been made that labor productivity in small enterprises is unacceptably low when compared to larger firms (Chuta and Leidholm, 1979); and that capital costs of production in small enterprises are higher. Moreover, questions are raised about the capacity of small entrepreneurs to make profits and their willingness to reinvest savings. The questions are of special concern to those who feel important scale economies are foregone in the support for small enterprise programs. But there is contrary evidence to suggest that these concerns are either erroneous or misplaced, and that capital productivity is not a direct, or even a positive, function of firm size. It may even be more accurate to say that smaller firms are more efficient in these terms (Marsden, 1969). At least it is more appropriate to say that small firms utilize capital especially efficiently where certain locational, processing and marketing conditions prevail: where, for instance, factories are processing a highly dispersed raw material; where products have local markets and high transfer costs; where manufacturing processes are highly separable; where craft or precision handwork is required; and where assembly, mixing, or finishing operations require relatively simple steps (Staley and Morse, 1965). While this final argument is a reminder that scale economies are not always applicable, it also provides a basis for judging the circumstances under which small enterprises are more likely to have advantages in the efficient use of resources.

Though precise data, particularly for rural small enterprises, are scarce, there is similarly no indication that these firms are either less profitable or that their owners and managers are less disposed to save and reinvest than owners of larger firms. They may well tap savings otherwise unreached by larger firms or by any investment opportunities other than independent entrepreneurship (Staley and Morse, 1965; McCrory, 1956). In fact, only in the area of labor productivity are the concerns about small enterprise efficiency supported clearly by empirical data. The average production of labor in all SSEs is lower, with workers in rural SSEs showing less productivity than those in small urban firms. However, the validity of this criticism has been sharply questioned. The challenge is based in large measure on the fact that the amount of capital a person works with is highly significant in determining productivity levels. Therefore, productivity is in part an indicator of capital intensity and worker displacement and may even be seen as an indicator of mal-development in poor, labor surplus societies. Productivity gaps

between larger and smaller firms need to be seen in light of these issues (Chuta and Leidholm, 1979).

The conclusions in terms of jobs and income are, therefore, these: smaller firms do not necessarily, even normally, force a choice between jobs and economic growth. They appear to be viable components of even the more rapidly growing and most highly specialized economies (Chuta and Leidholm, 1979). The evidence also suggests that a careful analysis of the nature of the production, marketing and linkage characteristics of smaller firms will overcome disadvantages which might accrue from the perspective of efficiency in capital use. There is certainly a need to make distinctions. Evaluation research could help in assessing how effectively the capital, technology, location, and marketing "mix" has been defined and given operational meaning in various project settings.

2. Economic Spread Effects

Does the expansion of the SSE sector tend to create secondary employment, income, and production benefits? In some cases clearly not, as where a promotional program brings city entrepreneurs and their skilled workers to a rural area, from which they then proceed to draw little of the raw material they require and where they sell almost none of their products (Shelat, 1976). But it can be substantial where it serves to develop a pool of skilled workers and managers and provides opportunities for the testing and adopting of new technologies over a wide area (Neck, 1977). It can be substantial, as well, for a setting where the firms can and do develop linkages with other firms and sectors. These links can be of two types: forward, where SSE outputs serve as inputs for others, and backward, where the SSE provides a demand for the output of other sectors.

The evidence concerning the sectoral linkages typical of small firms is, as we might expect, neither abundant nor unequivocal. But there are indications from several national studies (Krishna, 1973; Bell and Hazell, 1976; Byerlee et al., 1977) that the impact of SSEs on agriculture is more significant than was suggested by Hirschman who had argued in his influential work, The Strategy of Economic Development (1958), that the linkages were quite weak. In terms of forward linkages, rural and urban SSEs have been found to be important sources of inputs for agricultural production, both for more traditional agriculture and where newer technologies have been introduced. Village artisans may be the

most common sources of the more traditional equipment, and light engineering workshops in rural town the latter (Chuta and Leidholm, 1979; Johnston and Kilby, 1975). There are indications that demand for the products of rural light enterprises grows with the spread of improved agricultural practices (Chuta and Leidholm, 1979). There is little indication of their losing out on quality or other grounds to larger firms in these circumstances (Liedholm, 1981).

Backward linkages seem especially evident in the available studies of the impact of rural small enterprise. Both agro-processing firms as well as rural transport and marketing enterprises appear to have significant ties. There is evidence that SSE activity is not only economically efficient, but also relates to levels of farm production and from this to income for on-farm activity (Chuta and Leidholm, 1979). For smaller farmers in particular, the establishment of small business firms may precede, as well as support, more intensive crop production. These individuals find even the use of a portion of their land for intensive crops carries high risks. Where the SSE can provide storage, processing, and effective marketing links they have often been catalytic in facilitating the movement to farming strategies which increase income and employment for small farmers (Daines, Morrow and Rodgers, 1978). In some ways increased energy shortages should enhance these links, given increasing transport costs, and the costs of running complex machinery. Alternatively, to the extent that small enterprise have served to stimulate cash agriculture among the relatively poor, they may be said to have added financial uncertainties and risks because of the same energy transition.

What is the relationship of small to large firms? Much has been made of the potential of such relationships for reducing the economic dualism of less developed societies (Myrdal, 1968). But there are arguments also regarding the potential for small firms to increase the efficiency of the large enterprise sector. The fact that larger plants in newly industrialized countries "commonly have to build into their own production structure all subsidiary operations that enter into their products . . . is one of the reasons for high fixed costs and resulting lower economic efficiency as compared with similar plants in more developed countries, where contracting out for purchase of supplies and services in the open market is much more common" (Staley and Morse, 1965, pp. 231-32).

The actual data on forward linkages (usually considered as subcontracting opportunities) indicate that only rarely, as in the case of Japan, has the relationship been significant for the parties. Moreover, the inherent differences in economic power between the two sectors raises the possibility of the kinds of unfair and damaging treatment of which businessmen often complain (Hunt, 1974). More effective representation of the interests of small enterprises would seem to be required (Hunt, 1980). Still, many governments see these linkages as potentially important ones, and seek to promote them (Vepa, 1971).

Backward linkages appear to be more significant. The limited available data suggest that rural and urban small enterprises are providing large and growing markets for the finished and intermediate goods of larger industries (Chuta and Leidholm, 1979). The dangers here for small firms are in the imbalance between the two sectors--with flows seemingly much more from big to small (Hoselitz, 1969). But questions need also to be raised about the consequences in employment terms--as such backward linkages would appear to have relatively fewer indirect employment effects than the forward linkages (Pack, 1977). This point serves as a reminder of an issue raised earlier. Even where small enterprises have relatively high labor/capital ratios, the indirect employment effects must also be considered in an assessment of their absorptive capacity (Rodgers, 1981).

3. Social and Political Spread Effects

Whether enterprise development serves to advance the social and political goals of equity and popular participation is an issue often debated by historians and social scientists. Unfortunately, with regard to the social and political impacts of SSEs, and especially of SSEs in developing countries, there are even less data and analysis than is the case for economic impacts.

Most of what is known relates to the direct employment and income benefits of SSEs. The fact that these firms seem to be labor absorptive is an important argument for their contributions to social equity. In both rural and urban settings, they may be the best, even only, sources of employment for the landless and least skilled (Neck, 1977). They may provide more income than farm labor jobs do, especially in labor depressed situations, and where actual business ownership is possible (Daines, Morrow and Rodgers, 1978). Observations of rural SSEs in Central America also suggest their importance in generating new income opportunities for small farmers, by facilitating the adoption of

intensive agricultural techniques (Daines, Manoff and Roach, 1978). They may also promote women's employment. A recent survey in Honduras found two-thirds of the small rural enterprises to be run by women; results from other nations indicate a smaller but still significant percentage are run by women, on the order of forty to fifty percent (Liedholm, 1981). If these figures are representative, questions still remain about their significance for the quality of life of these women. Do such numbers, for instance, suggest some inherent advantages for women in the operation of certain types of small enterprise, perhaps as complements to their other responsibilities, and suited to their particular skills? Alternatively, do these opportunities most often involve extra work in situations of economic necessity, in very low profit small trading operations? And do the women typically get to keep portions of any profits earned?

In terms of equity, therefore, suggestive, but inconclusive, evidence exists to indicate smaller is better--and that distributional impacts are negatively related to the size of emergent firms. Doubtless there are exceptions and guidance on locating them may come from sectoral research. However, an equally important issue is whether programmatic inputs can add to the general advantages of smaller firms. Project officials have become increasingly concerned with this; and they have developed a variety of selection criteria, as well as research efforts into appropriate technology, and prohibitions on types of beneficiaries, in an effort to increase the distributional impacts of these programs. We will deal with these in more detail in the next section of the paper.

There are other social outcomes to discuss in considering small enterprise programs. Advocates of SSE development have occasionally suggested a potential for democratization inherent in the expansion of the sector. In its most simplified form, the argument is that a large number of small firms, spread throughout the society would presumably bring forth a large new constituency; one which would increasingly gain an understanding of the economic and political system; which would also acquire resources sufficient to support efforts to defend economic and other interests; and which would eventually develop an organizational base sufficient to regularize and stabilize the relations between themselves and the rest of society and government. A plural, and organized, business sector (management and labor) would provide a responsible component of a democratic policy and support for national development efforts (Moore, 1967).

No one has advanced this specific sequence as a probable consequence of a SSE development program--no matter how large and well supported it was. Even where they have been organized and powerful, small businessmen have not been consistent supporters of democracy or of equitable development efforts (Lipsett and Raab, 1970; Hunt and Goel, 1980). However, many programs to support SSE have been concerned with participation by beneficiaries and some have been concerned with the institutionalization of new participatory opportunities. Such opportunities are seen as an important way for new firms to acquire the means to advance and protect their interests--and ultimately to survive (MIDC, 1980).

New social and political institutions, and new relationships, have emerged in the wake of the expansion of the SSE sector in many developing countries. This is partly due to the pressure of new demands for assistance from business, but also to the regulatory and informational needs of governments. Business associations, for instance, have grown apace with the sector and many of these are serving to widen the range of interactions with governments at all levels, in all types of political systems (Namjoshi and Sabade, 1967). However, few of these associations are politically powerful in their own societies--and are often lacking in both consensus on goals and the resources to act as effective lobbying groups (Kochanek, 1974). In some cases, governments are primary sponsors and supporters of such bodies, seeing them as important channels for direction and for securing requisite information on the economy (Lockwood, 1954). Regular exchanges and meetings are common, and the social and political implications are important--if difficult to specify (Hunt, 1974). It may well be that an examination of these relationships would reveal a sharply hierarchical pattern, and little evidence that small enterprise-government relations were becoming more complex and reciprocal.

However, even if the institutionalization of these relationships is broadening the political process in some nations, important questions of social and political equity would remain. Few rural enterprises have ties to business associations. Cooperative societies do exist for some, and may take on a representational role on occasion (Korten, 1980; Bennett, 1979). But on the whole, such bodies are less available to rural than to urban entrepreneurs. In the same sense, where governments have established regular consultative links to the business community, larger and urban based enterprises have been overrepresented. It is

also clear that business owners are more likely to have ready access to public officials than laborers. Finally, few programs to deal with SSEs raise the question of the power relations within the firm, or the questions of the overall capacity of works to participate (Young, 1981). Therefore, while we do know that the expansion of small enterprise has brought economic benefits and enhanced the values of individual dignity and political democracy in many nations through history, there are no guarantees that similar expansion in a given area, at this stage of history, will do the same. We need to understand these social effects with the others, and consider design alternatives in light of that knowledge.

Ultimately, the question of spread effects also requires an evaluation of the overall conditions of community life in the impact area. Observers of enterprise programs have wondered about the effect of new, more sophisticated, firms on handicrafts, and on the value systems which have sustained traditional communities (Gamer, 1982). Do SSE programs contribute significantly to those sorts of processes which draw the young and most able out of the networks of family relations and responsibility? Are they also associated with non-sustainable consumption values? Can they speed up rather than slow down urban migration by unleashing these broader changes? And what of the impact on the physical environment? Many new firms, even if relatively "light" capital in character, may bring raw material and disposal crises. Small firms may at least be more polluting than the economic activities which preceded them even than if less so, on average, than larger enterprises (Liedholm, 1981; Neck, 1977).

Summary

The small enterprise sector is a rapidly growing and highly differentiated one. It appears to represent a significant resource (some firms in some settings more than others) for expanding production and employment. The sector is increasingly studied and supported by development agencies to promote the expansion of employment opportunities as well as other economic and social benefits.

Which of these latter socio-economic outcomes are most important depends on the agency and the practitioner's definition of development. Development for some, when speaking of SSE programs, refers mostly to the firms themselves. They seek to create and sustain small businesses,

with the resulting growth in management capacity and wealth seen as having a multiplier effect and a broad, positive social impact. Others focus less exclusively on this potential relationship, attending as much or more to the social consequences of enterprise development. There is more common ground than this categorization suggests. But there is a tendency for some to define development goals more sharply in business terms than others do. The differences are reflected in assumptions about how development proceeds--and how to evaluate it.

III. CAUSES OF ENTERPRISE DEVELOPMENT AND OF BUSINESS CONTRIBUTIONS TO COMMUNITY DEVELOPMENT

In this section we will review the factors thought to explain small enterprise development and the variable significance of that development. We will first consider a number of broad policy and environmental factors hypothesized to have an especially important impact on the generation of enterprise, and on the larger processes set in motion by business operations. We will conclude with a consideration of how project design and implementation strategies can affect these outcomes, and together with the other inputs, help to insure the continuation of the more positive accomplishments.

Economic Conditions and Public Policy: As Factors in Enterprise and Community Development

Economies which are growing rapidly give a strong positive impetus for enterprise development. In developing countries, the growth in the agricultural sector is thought to provide especially important forward and backward linkages to the SSE sector (Mellor, 1976; Chuta and Liedholm, 1979). The hypothesis that this is the most important source for SSE development suggests a "by-products" model of enterprise expansion. But even the World Bank studies, which provide strong arguments for this indirect approach, also present arguments for specific assistance programs to complement the effort. Such programs are, in fact, viewed as indispensable components of a development strategy featuring small enterprises (Anderson and Khambatta, 1980; World Bank, 1980).

Most programs to enhance the prospects for the expansion of the SSE sector and of positive linkage impacts on production and distribution processes, have focused on increasing the availability and delivery of scarce resources to small entrepreneurs. In terms of national development policy this has led in some cases to efforts to modify taxation and trade policies which have favored large, more capital intensive industries; and also to the creation of reserved sectors where manufacturing is permitted only by small industrial enterprises. While such efforts are assumed to increase the incentives to enterprise, they are also deemed insufficient. For those with little business

experience, and especially the poor, direct and continuous programs to provide information, training in management and other skills, and financial resources are required. The major thrust of SSE programs and project support activities worldwide has thus been on the mobilization and transfer of scarce resources to small enterprises.

Perhaps the most commonly perceived impediment to overcome is the limitation on available credit. Consequently, official efforts to assist the small enterprise sector have usually included the provision of fixed or working capital loans and hire purchase arrangements for machinery and buildings. Equity investments have sometimes been made by public or parastatal bodies. Special development finance companies or investment and promotional institutions have on occasion been created to provide the credit, though governments may also use state and private banks and encourage their utilization of a variety of subsidized resources to reach the small enterprise sector. Official support may also be made available to groups more directly associated with the entrepreneurs themselves--as credit unions or cooperatives--to facilitate the involvement of these institutions in individual or group enterprises. Part and parcel of these efforts in most cases are efforts to deal with the problems associated with the loan process itself. The "conservative banker syndrome" representing the disproportionate importance often paid to collateral for securing loans is of special concern; but there is as well the relative inexperience of loan officers with small enterprises, the relatively high costs of servicing loans, preparing and evaluating projects, and monitoring delinquent accounts, which are all common targets of training programs, and of incentives built in to the assistance projects so as to expedite loans and provide a sounder base for financial assistance (Neck, 1977; Hunt, 1974).

Technical information as well as common production, testing, and repair facilities are representative of a second type of scarce resource transfer. New technical institutions may be created for these purposes: vocational schools, productivity and common service centers, and the like. Or, existing business schools or trade associations may be contracted with to provide the sites for programs or common work facilities, perhaps supported by technical assistance from U.S. educational institutions or private and voluntary organizations (Devres, 1981). Universities may be encouraged by official bodies and others in their research on technologies relevant for the small enterprise sector. These efforts, in turn, are sometimes complemented by programs to train the personnel necessary to run the

facilities. Where resources are available these programs mobilize significant numbers of people, given the nature of the tasks involved, and given the immense variety of specific information and skill needs of small businessmen--since typically they lack access to information of critical importance regarding inputs, production techniques and markets.

A third major component of these efforts has been to provide managerial assistance: "counsel and assistance in planning, organizing, directing, controlling, and taking corrective action in the major functional areas of management" (Neck, 1977, p. 224). Many of the same institutions created, or contracted with, for purpose of providing technical assistance are involved with these activities. The services which they are asked to provide include training and specific advice on personnel, financial, and production management and on marketing, for managers and workers alike. Where resources and trained personnel exist (and the problem was noted before) management assistance may be made available to individual firms as a means for better assessing operational and financial positions, problems with organizational structure, and prospects for the expansion and diversification of marketing activities.

Summary

The major argument in this case in its simplest form is: the more resources available or provided (credit, hardware, and software) the more small enterprise development produced. It is not that simple, of course, since differences exist among planners regarding the extent to which the best means of delivering the necessary resources are private sources or governments and, if governments, what kinds of regulatory and assistance policies are most likely to provide the best, most economic spread of resources. Moreover, differences exist regarding the most appropriate packaging of these resources, and in the actual amount of resource which may be necessary. Some suspicion exists that credit may be less an obstacle, even from the perspective of entrepreneurs, than has been assumed, or at least that it needs to be seen as part of a more carefully defined, broader package of resources provided to the firm (Chuta and Liedholm, 1979). Moreover, there is a growing recognition of a need for intelligence about the components, and dynamics, of the small enterprise sector--so that resources can be better targeted (Neck, 1977).

There is additionally a growing subtlety and complexity evident in training, credit and extension activities aimed at supporting small enterprise in developing nations. In Western India, for instance, efforts in the 1950s and 1960s (as elsewhere in India) focused on the provision of credit and the creation of various enterprise "service institutes" manned by public servants who were to offer training and consultancy support. Some businessmen took advantage of these opportunities; but the vast majority did not (Hunt, 1974). There was little sign that business activity was being stimulated among those communities traditionally disposed away from business; and among the poor, even where their skills were appropriate for entrepreneurship. Consequently, dramatic departures were provided by a variety of innovative banking and extension activities (Patel, 1978). One hundred percent finance (fixed and startup capital) was provided for trained technicians with no resources of their own so that they could establish firms. Training programs were set up for these technicians and others from non-business backgrounds, and careful experiments were conducted to determine the best package of course components to meet diverse business needs at various stages of a firm's life. Collaborative efforts were undertaken to bring together for regular meetings the various governmental and private officials capable of providing financial and extension services--so that training, credit granting and follow-up consultancy activities could be better meshed. These efforts to develop a more integrated, effective and equitable package of support activities seem to have worked. Studies suggest that those assisted did benefit more and were relatively successful; and the efforts (which later became more complex and introduced other training components) were widely imitated (Shah et al., 1974; de Wilde, 1975). These efforts are indicative of how complex, integrated and participatory programs to mobilize and transfer public resources to the small enterprise sector can become.

For others, however, even this more comprehensive approach does not adequately address the fundamental issues. They argue for an emphasis on a variety of differences within the target population--potential and actual entrepreneurs--and among institutions which link them to the marketplace and the political system. Development assistance is thus involving a different set of inputs, including those which can be called social psychological and institutional. These approaches and their significance for the small enterprise sector are to be considered next.

Political Institutional Factors

Development specialists have recently been more interested in the various political and administrative institutions involved in the design of programs and the delivery of supports to small enterprises (Ingle and Rondinelli, 1980). To a considerable extent, this is a question of official commitment to the sector, and it reflects at least two separate concerns. The first is that governments need to generate both the financial support and the personnel policies productive of a large and responsive support network--in addition to the types of incentives mentioned previously. Fair and equitable tax, labor, and credit policies which directly support the kinds of productive activities and technologies common to the small sector are obviously critical factors in enterprise growth and success. Secondly, however, is the need to avoid the vitiation or elimination of these advantages through policies which provide excessive advantages to large enterprises and sophisticated, capital intensive production processes. Such policies include governmental limits on interest rates which exacerbate bank tendencies to look for surer risks, high tariffs on "consumer" goods, when these are often capital goods for small firms, and concessionary foreign exchange rates for larger firms. Moreover, government licensing and raw material distribution can also inhibit small firms lacking in the time and expertise to compete for appropriate permits and quotas (Chuta and Leidholm, 1979; Daines et al., 1979).

This policy balance is critical; but there is yet another type of political institutional issue affecting small scale enterprise performance. It is one both more complex and less likely to be considered in explanations of enterprise development: the extent to which relevant public and private institutions are active and complementary participants in the project. To consider this issue we need to borrow from a recent World Bank paper--as well as from the literature on institution building (Smith, Lethem and Thoolen, 1980; Duncan, 1975).

This institution building approach as it relates to small enterprise development goes as follows: many organizational actors will be involved in the projects, some powerful and organized, some less so. These could include government and parastatal bodies, business associations and cooperatives of various types, as well as the target enterprises. All of these actors share a common political reality, in that some areas of their work environment are directly under their control, while some other areas are

less so. Finally, there are institutions and actors which set important limits on development activities--but in terms of which those pursuing particular development objectives have little meaningful influence. Given this perspective, one indication of project success would be an increase attributable to it in the scope, number, and effectiveness of activities which can be undertaken by the targeted beneficiaries, through their own mediating organizations, without generating significant conflict with others. Another would be a growth in the delivery of accurate information concerning the social and political constraints which remain. This amounts to a political-institutional definition of development and requires attention to management capacities pertinent to intra-organizational and inter-organizational relationships (Smith, Lethem, and Thoolen, 1980).

The central need seen here is for all public and private institutions involved in the enterprise development effort to have relations which maximize the opportunities for control and influence by all participants, and which simultaneously provide information adequate for an understanding of the limits on action. A continuation of stable relationships would further require information on all environmental factors influencing organizational relationships so that adjustments could be made in the wake of changing social conditions. The argument which institution building theorists would make about enterprise and community development is that when SSE programs are successful it is likely that such a pattern of institutional relationships has previously emerged. To make the correct patterns emerge is harder, and requires first careful assessment of existing power relationships in a project setting and particularly among existing and newly developed project institutions. In most cases subsequent action would include institutional self-analysis to review goals and public expectations and the degree of their compatibility. This would be complemented by a review of available resources. The end sought is the emergence of a continuous diplomatic process in which a major emphasis is placed on organizing the beneficiaries and reducing the threats to established power centers through efforts at coordination (Smith, Lethem and Thoolen, 1980; Ingle and Rondinelli, 1980).

In practice, many public and private development agencies are struggling with these concerns, in the limiting context provided by on-going projects. Two recent enterprise projects in Africa have raised concerns which intersect many of those described here--in one case from the beginning, in the other as the need to provide a regular

mediation process between small business operators and the national government has become more evident (Diamond et al., 1980; Hull, 1981). Moreover, efforts to develop a Micro Industries Development Corporation in the Philippines are largely predicated on institution building assumptions--that a major need of small entrepreneurs is for a brokering organization, an organization to act as a catalyst and a facilitator in bringing together existing resources and needs (MIDC, 1981).

Institutional analysts affirm that development does involve resource transfer; but they see it also, in a fundamental way, as the consequence of the evolution of a stable policy-making and distributive network which includes beneficiaries in a meaningful and effective way.

The conclusion here is not that development agencies need to spend enormous energy in such political analysis and action. A careful pre-analysis of the power setting within which the proposed project will be undertaken along with efforts to accommodate these factors, might reduce the number and variety of implementation problems attributable to inadequate planning (Smith, Lethem and Thoolen, 1980). One argument for private voluntary organizational leadership in small enterprise projects is that they tend to operate in a way (small, self-contained projects) which minimizes at least some of the potential for institutional competition and conflict (Beardsley, 1979).

Social Factors

Enterprise development activities sometimes focus on the social geography of a target region. This is especially true when class or ethnic differences have served to discourage business activity by whole groups of citizens. Equity concerns may dominate in these cases, particularly where the income levels of the excluded are markedly lower than averages for the society. But arguments are also made in terms of economic rationality; for these types of obstacles may seriously impede efforts by new and potential entrepreneurs to acquire credit and develop markets. They can also divide small business firms from each other and reduce the options for collective action to influence public policy. When these issues are central for planners, they have tended to think of giving special assistance to the impeded groups. Highly concessional credits may be provided, sometimes amounting to full or nearly full support for all fixed investment and start up costs; priorities may be established for the allocation of buildings in new indus-

trial estates on a need basis; incentives may be established for the promotion of marketing opportunities and ancillary relationships with larger business enterprises for new entrepreneurs from previously excluded groups (Patel, 1978). And non-formal educational programs,* perhaps involving the use of apprenticeship systems, may be used to provide basic managerial and technical skills (Chuta and Liedholm, 1979). In some nations, affirmative action on the basis of race or ethnicity is used to increase the commercial involvement of poor, previously non-business groups or communities.

Social factors also enter when consideration is given to the uses of traditional, or newly formed, solidarity associations to support small enterprise programs--or to become the owner-operators of small enterprises. Such groups have been viewed as the nexus for entrepreneurship, especially when previous exclusionary policies (real or imagined) have created in the group a sense of unjust status deprivation and a determination to put things right (Hagen, 1961; Nafziger, 1971). But simpler arguments along the same line may suffice: that groups of friends and acquaintances can promote business growth and protect the interests of the poorer, more vulnerable, businessmen by providing credit, information, and various forms of risk insurance, as well as the collective power to influence public officials and unofficial elites (Owens and Nandy, 1977). They may also be important sources of project accountability, serving to encourage new firms and to enforce loan repayment schedules. At least one private voluntary organization now active in small enterprise development intends to work with and encourage solidarity associations among the micro-entrepreneurs with which they work. These would be organized to serve as collective guarantors for loans but would be expected to serve often as social and interest groups as well (Ashe, 1980). Another voluntary association, Partnership for Productivity, while not involved in the creation of solidarity associations, nevertheless seeks to facilitate the emergence of economic interdependencies in a target area, so as to build a constituency of interest and action (Hull, 1980). Arguments have also been made about the potential of business associations in that regard; with some asserting that such associations are potentially powerful, integrative and supportive forces whatever the limits on

*There seems to be no clear, positive relationship of formal education and entrepreneurship (Chuta and Liedholm, 1979).

their current effectiveness (Hunt, 1980). Government action may be vital in these cases to facilitate the representation of these constituencies.

There are limits to this type of intervention. It can reinforce the type of social fragmentation which, as noted before, can interfere with economic rationality. In plural societies, it can be seen as dangerous--if directly reinforcing communal ties (Hunt, 1974, Ch. 8). However, it is difficult to conceive of strategies for reaching and mobilizing the poor as businessmen which exclude this as an option. More small enterprise program designers seem to be considering ways to intervene to provide social supports for the poor. Increasingly, in fact, there is an emphasis on starting with the creation of self-confidence, interpersonal (social) skills, and community as the basis for all economic and development activity (Goulet, 1979; Freire, 1970). Undertakings with such a focus are not commonly considered as enterprise programs. But their advocates would argue that assistance programs introduced outside of such a base have a limited chance of reaching the poor--to mobilize their productive potential and to provide them with opportunities to share in the rewards of commerce and industry (Haque et al., 1975; Senghas, 1980; Gamer, 1982).

Social and institutional hypotheses about the sources of new, stable and community relevant business enterprises obviously overlap a good deal. There are differences, but it is true that support for collective effort by the socially most marginal raises questions concerning the larger political environment and its responses to new claimants for community resources.

Psychological Factors

The possibility that psychological factors are strong determinants of enterprise formation and success has for some time intrigued scholars and development professionals. If personal motives and risk-taking dispositions are on occasion decisive, the costs of ignoring them--or of failing to build upon their energizing potential--would be high. Even if the difference they make is only modest, they may be of decided importance if the costs of responding to the potential they do present is low.

Early research and writing emphasized both points but especially that motive factors could be decisive determinants of entrepreneurial performance, even of a nation's overall development rate (Weber, 1958; McClelland, 1965).

This work emphasized the importance of a subconscious urge for excellence called the "need to achieve." Indications that this need produced certain risk-taking and innovative actions associated with enterprise success led to suggestions on how to tailor development programs so as to direct financial and other support to those with the appropriate motivation (Stepanek, 1964). Later research suggested the possibility of low cost training to inculcate a motivation for success (McClelland, 1965). Programs were begun in several nations, particularly in India and several Asian and Middle Eastern nations. In the U.S. several inner city groups received training, as did groups of American Indians. Subsequent evaluations were not always conclusive but generally indicated the training was both more effective and less costly than more conventional credit or extension programs (McClelland and Winter, 1967; McClelland and Miron, 1978). For a number of years the United Nations Industrial Development Organization (UNIDO) was actively using this training technology in programs to support small enterprise development, and results from its efforts were also regarded as positive, and seen as producing an excellent return on investment (Faoro, 1981).

Later efforts have sought to develop more effective selection criteria, as a means for including the more highly motivated in training and other entrepreneurship programs (Pareek and Rao, 1978). There have also been experimental modifications of the basic motivational training approach (Rao, 1980; Broehl, 1978). Shorter programs, using trainers without extensive formal training in the behavioral sciences have been found effective (Patel and Trivedi, 1973). There have also been research and training efforts to provide motivation and value education geared to variations in cultural expectations for business performance and definitions of "success;" and also to variations in the managerial requirements in different sized firms and in firms at different stages of development (Pareek and Rao, 1978).

Many critics of these approaches would accept entrepreneurship as a critical factor in development but see the emphasis placed on deep-seated motives as ineffective or inappropriate. Some would advocate greater concern with the setting of incentives to reward entrepreneurial behavior (Kunkel, 1971); others favor training to provide increased skills in information gathering, general management, and in bargaining in unstructured situations (Kilby, 1971). Finally, there are those who are troubled by what they regard as psychological reductionism and western biases in the assumptions made regarding appropriate behaviors and social change. They have highlighted the potential of

traditional social and cultural systems to adapt in complex ways, and the role of entrepreneurs in the reinterpretation of tradition to fit new economic norms (Singer, 1973).

Despite these criticisms, many development practitioners, both in richer and poorer nations, have concluded that the returns from applied behavioral research on motivation, and other personality characteristics found related to entrepreneurial performance, are ample (Pareek and Rao, 1978; Rao, 1980). Benefit cost figures are particularly impressive when newer, more complex and sensitive training methodologies are employed (Spencer, 1979; McClelland and Miron, 1978). Questions do remain, however, even for these advocates:

1. What are the components of effective training: What is the proper balance between "hard" skills and psychological training for goal setting, self-awareness, etc.?

2. Which environmental (social) factors are important to account for within the training framework, where possible? Which kinds of environmental supports are most important for the trained entrepreneur?

3. How do you meet the great need for new enterprises and jobs with training programs? How can you multiply the numbers of people impacted by the programs without diluting them or otherwise changing their character? Is an emphasis on the "training of trainers" one way?

Project Design and Implementation Factors: Their Impact on Small Enterprise Development

Most of the causal factors already discussed can relate to projects other than small enterprise projects, although many have been expressed largely in terms of problems specific to the business sector. Causal factors discussed here, as design and implementation characteristics, are generally less specific to the sector. They are, however, of undoubted importance to those who think about, and work with, small enterprises; and many would argue that the style and procedures of an intervention are at least as important as its more substantive elements (Kilby, 1978). These individuals see project impacts influenced significantly, for instance, by the extent to which those most responsible for a project's design and implementation were sensitive to the personal needs of beneficiaries, and the differences among them; and by whether they have the flair or charisma

which makes their ideas attractive and the prospects for goal achievement seem bright. Such skills may make average or even poor projects successful. They see significance, as well, in the degree to which project officials display a concern and capacity for adaptation, for an accommodation of existent social and economic activities within the project framework. This kind of "gap filling" under pressure is basic to some definitions of entrepreneurship--applied usually to business behavior but relevant elsewhere (Leibenstein, 1968).

Pre-Design and Design Phases: Issues of Significance

Over the past decade increasing stress has been placed, by project planners, on the need for prior knowledge of the potential beneficiaries and the setting where the project will be carried out. This normally means determining, through study and interaction with potential participants, what they need, and what resources they can tap and will bring to development projects--as well as what they cannot tap and will not bring. In more specific terms this commitment implies the expanding of effort to maximize participation by non-officials and the poor in project design efforts, and a willingness to modify project goals and strategy in the face of beneficiary concerns.

Going further, it implies the development of a profile of the local socio-economic system. Such a profile is felt by some students of small enterprise development projects to be of critical importance (Daines et al., 1980). The development of such a profile requires efforts to gain knowledge of local production technologies and of firm profitability, by type, as well as of employment patterns and skill levels, particularly of women and the poorest generally; as well as attempts to secure information on the major institutions which have the potential to service the small enterprise sector, and finally information on the likely political implications of programs to mobilize the poor. These data could provide information for relatively reliable feasibility calculations for the project and a preliminary benefit cost analysis; but also critical insights concerning the potential for reaching the target poor. In short, these arguments suggest that the more comprehensive the profile and participatory the process of developing it, the more complete the picture it provides of the commercial sector and its social setting, the more likely the eventual attainment of project goals. For such a profile provides information critical for project designers and managers as

well as for entrepreneurs and their representatives. Not just information on opportunities, but a realistic reading on limits (Daines et al., 1980). The extent and quality of this pre-analysis effort, therefore, should affect project impacts. In point of fact, these considerations also suggest interesting hypotheses regarding the effect of beneficiary participation on project goals. For it is possible to argue that an accurate pre-analysis may give more scope for knowledgeable, shared decisions later--in the implementation phase (Smith, Lethem and Thoolen, 1980; Montgomery, 1979).

Project Implementation

When project management is considered as a source of impacts, great importance is often attached to the capacity of officials to obtain information and to modify both goals and strategy in the face of unanticipated events. This capacity for learning and adaptation requires a substantial degree of autonomy both for beneficiaries and for managers (Korten, 1980). Problems and opportunities uncovered by beneficiaries are of little significance for even a responsive manager if he has neither funds nor discretionary authority. Moreover, managers with the capacity and resources for response are limited if the target community is precluded from the effective communication of difficulties.

On the other hand, while the importance of flexibility in management is difficult to dispute, some observers are less convinced that process approaches, where adaptation is emphasized, need to be so closely identified with beneficiary participation (Montgomery, 1979). Participation can produce conflict more than flexibility where deep-rooted factionalism exists, or where local institutions (e.g., trade associations) are dominated by individuals or groups not representative of the SSE sector at large (Hunt, 1974). Moreover, where the tasks involved in a project are reasonably limited and clear, as in the improved delivery of essential raw materials for existing firms or the teaching of specific skills in a management training program, broad, intensive participatory inputs may also be less directly associated with project success. Of course, an argument could be made that such projects are too narrowly defined, too restrictive in terms of the contributions of beneficiaries and the wider society; but some occasions may well call for a more "technical" approach--as in the examples given or where limits imposed by governments or time may force a choice between bringing in advisors and resources with a pre-tested project or doing nothing.

Summary

This discussion indicates what scholars and practitioners have seen as critical factors affecting small enterprise development. Most have argued for one or a few variables as causes, with little concern to expand beyond bivariate assumptions. Where secondary factors from other explanatory categories are utilized, they are perceived as supplements, contributing in a more or less linear fashion to the approved outcomes. Evidence has been generated, in short, to show how credit or motivation training programs have worked to increase the number of small enterprises; or how organizing efforts with the poor have accomplished these ends--and limited the capacity for the program's capture by middle class groups. But there has been little effort to generate empirical theory concerned with multiple relationships among a variety of independent and mediating variables and with the varieties of effects produced by the specific development contexts.

IV. ISSUES FOR IMPACT EVALUATION PATTERNS IN THE EXPLANATORY FACTORS AND TRANSITIONS TO THE FIELD

As noted, the discussion of major influences in enterprise development was largely composed of a selected review of hypothetical relationships, rather narrowly conceived. No real effort was made to go beyond the bivariate level of analysis, to suggest patterns or to highlight and resolve contradictions among the explanations offered. The impression given, therefore, is of a large body of diverse assumptions about what makes small enterprise projects successful. Added to this is the diversity imposed by the different definitions of development. Therefore, evaluators reviewing this material are left with unpleasant alternatives, as they perhaps sense even more the difficulty in faulting project officials for choosing differently than they would have in designing inputs and establishing goals. Attempts to be fair minded may produce a confusing array of comparisons of alternative possibilities and competing assumptions. The evaluations might consequently suffer as guides to policy and as contributors to more general conclusions regarding the sector.

The fact is there are some organizing principles which can be used to increase sensitivity to similarities and differences in projects. They are mainly empirical, based on my own reading and summarizing of the most significant approaches to small enterprise development over the past two decades. But I have also attempted to put them in a larger theoretical context by suggesting how they vary in the assumptions they reflect regarding factors and processes in development.

To begin with, I believe we can reduce the complexity we find in both the variety of definitions and the causal statements by drawing on some fundamental distinctions in existing projects. These distinctions, in turn, reflect the categories which I used earlier in discussing causes of enterprise success and failure. They are based on differences in the priorities attached to material resources in enterprise development as opposed to what could be called psycho-social or community building priorities; but also on

the process by which the "final" development strategy in a particular case is generated.

Three Approaches

Most enterprise projects stress the transfer of credit and skills as means for overcoming roadblocks to the creation of new businesses and to their success. These I would suggest calling Resource Transfer approaches and would include among them the large number of projects which emphasize the delivery of credit, management, production, and marketing information through regular training programs or consultancy activities. Included as well would be efforts designed to influence policy formulation and implementation in a way likely to increase access by small enterprises to governmental funds earmarked for industrial development purposes; and also efforts to eliminate many of the commercial and trade regulations which favor larger firms.

Many other small enterprise development programs (SSE programs), while involving resource transfers in the sense the term is used here, would tend to emphasize other inputs. For some of these it is the Psycho-Social obstacle to enterprise creation and success which are of surpassing importance. Projects reflecting this thinking may emphasize selection and training efforts which draw on research in the applied behavioral sciences and are designed to discover, or to nurture, certain motives or clusters of traits. Still others may seek to deal with social rather than psychological impediments to entrepreneurship and to target poor and minority groups for special attention or concessions. The unifying concern in these instances is for the obstacles to individual or group action from personal and class constraints. Education may be important, as it was for those concerned with resource transfers. But it is education for self-confidence and goal setting more than for training in occupational skills. Skill training may of course be a part of the educational package these planners would assemble--and usually is.

Finally, there are approaches which tend to see SSE development as part of an organic process, inseparably from the creation of a viable community. Stress in these Community approaches is less on entrepreneurship or business expansion than on the development of corporate institutions and values. Private enterprise and economic efficiency may be prized in projects of this type, but the concept of development which is invoked requires their explicit linking

to collective improvements in economic and social terms--to equity and the overall quality of life. The concept of institution building, used in a narrower sense in the other approaches to refer to the creation and sustaining of training or extension agencies, is used here to suggest a more holistic concern. The focus is more fundamentally political, with favorable outcomes represented by a growth of internalized, mutually supportive, social and economic institutions tapping the needs and channeling the activities of the broadest possible public.

As separate types, these approaches represent significantly different assumptions about what development is and how it occurs. All do share a concern for economic growth and for the equitable distribution of the returns of that growth. But they differ significantly in specifics regarding growth and equity, and more so over how and in what order these outcomes might be pursued. Most fundamental is their difference over how willing and able individuals are, under varying social conditions, to generate business and to utilize the benefits in ways which enhance the quality of life for both the businessmen and the larger community of which they are a part. The basic assumptions they make (usually implicitly) can be briefly stated. Those who advocate resource transfers would argue that growth and equity most often come from SSE programs which increase the available stores of appropriate knowledge and material resource. There is a strong emphasis here on human rationality, and the tendency of individuals to respond to opportunities provided by new resources and skills to create a better life for themselves. There is, however, less attention to the possibility that relationships of the type the resource transfer advocates perceive as especially probable and important are even more likely to develop where open and competitive political and economic institutions exist and are accessible to a broad public, including the poor.

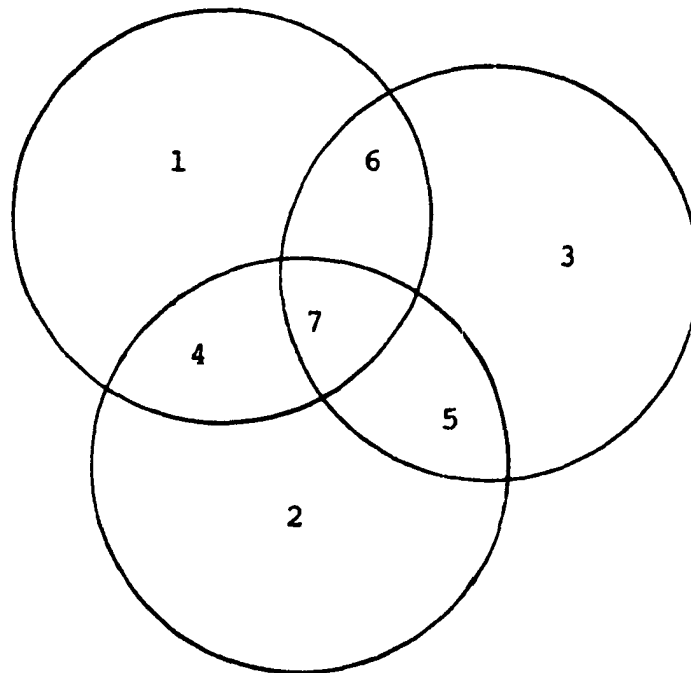
Alternatively, those favoring other approaches would show more concern for the personal and social base of enterprise and growth; and would implicitly (in the main) assume that gaps exist in the political and economic infrastructure which provide significant obstacles to the impact of SSE programs on the less active parts of a community. For instance, those whose approach was psycho-social would talk of the latent creativity of individuals and groups, and see the determined tapping of this potential (usually among those blocked by social or cultural obstacles) as the most significant way to generate a dynamic business activity and a general increase in opportunity in a locality. Those adopting the community approach, on the other hand, would

see enterprise development and the advancing of community goals related to an increased capacity for affirming and integrating individual and group interests, often in situations of extreme poverty--of material and institutional resources. But these latter two approaches may also cause a misreading of the environment. Their "mistakes" could involve ignoring the possibility that lower cost, resource transfer based programs may serve to create new institutions, even involving the poor in what amounts to a contagion effect if the technology is "appropriate" enough (Ellis, 1981). In these latter cases costs may be lower and benefits as great or greater with the simpler technology transfer approaches.

Though there are examples from earlier periods when the match would be close, the fact is that few if any contemporary SSE projects would fall in a single one of these categories. It is therefore more appropriate in thinking about current projects to depict these substantive differences in strategy as overlapping circles (see Table 1). The placement of particular projects and development agencies would then be as points within a circle--but would also be seen as points of varying distance from the dominant approaches. Two points in enclosure 6 might still be represented as different, one a good deal closer to type 3 (community) and its assumptions and another to type 1 (resource transfer) and its assumptions. This set of overlapping circles also suggests another categorical distinction among types, between those approaches which are less "integrated" (purer types), and those which represent a fuller commitment to a synthesis of approaches. A project or agency located in the very center of enclosure 7 would be the most integrated in this sense.

Finally, there is also a procedural difference which is of considerable importance and which needs to be added to complete our classification process. It is the distinction between what are called "blueprint" and "process" (or "learning") approaches to development. For some project designers and managers good projects are believed to emerge most often out of a fully participative experience involving both beneficiaries and professionals. Mid-course corrections would be inevitable and common; and the particular model (reflecting one or more of the approaches described here) would be clear only after the project was well along toward its eventual conclusion. While many would argue in behalf of some elements of this process model, the majority would at the same time advocate its selective use. They would see an exclusively process model making less than optimal use of a given agency or professional's particular skills,

TABLE 1
APPROACHES TO ENTERPRISE DEVELOPMENT



Designations: Circle 1 = Resource Allocation;
Circle 2 = Psycho-Social;
Circle 3 = Community.

experience and contacts. It could certainly be argued that in those situations where resource transfer approaches are most likely to create successful SSE projects, where the major obstacles are, in fact, resource scarcity or the absence of technical skills, the blueprint approach is likely to be especially effective. Process models are more suitable where development is especially contingent on the success of efforts to increase personal or group confidence and to develop and sustain new community institutions.

To speak of comparative assessment this way is, of course, controversial. I have admitted to tentativeness in these categories and expressed my understanding of the interaction of strategy and setting as testable propositions, not conclusions. Yet I think more needs to be said. My underlying assumption is that none of these approaches is likely to be found consistently better than the others. (That is: it is probably not terribly important to look for a better or worse way of doing enterprise development among these dominant strategies.) Some will, however, be better than others in a given setting; and will probably produce more growth with equity in a certain site, defined largely in institutional terms, than others. It is the match of types with sites which I think is most critical. In reflecting on the Indian setting, where I have had more experience with SSE projects than elsewhere, I can think of locales appropriate for all three general approaches.* There is, in short, room for technology transfers and arguments that "contagion" caused by the transfer may extend an industrial infrastructure, and rather quickly involve large numbers of the poor. There is room also for those going more slowly on these factors, and emphasizing the more lengthy process of organizational development.

*For projects in the state of Punjab, I would recommend starting with the resource transfer approach. For Gujarat and Bihar states, I would think first of the psychosocial and community approaches, respectively. Other considerations would obviously enter into these decisions, depending upon the nature of the specific target group and locale. But given a goal of growth, equity--and minimal costs--I would argue for making an effort to assess the relevance of these approaches to the particular beneficiary group and locale in designing an enterprise project.

A Contrasting Approach

As noted, the analytic categories just described are but one expression of the divergent strategic and tactical consideration applied to SSE development efforts. While there are significant advantages in working from a theoretical framework of this sort, it is likely that many would find alternative formulations more useful. Still others may prefer a set of guidelines which merely indicate the major components of varying approaches--feeling that attempts at "theory building" are premature or inappropriate for the tasks at hand. For the latter, a list of competing approaches to the design and implementation of SSE projects may be sufficient; since they would then be free to focus on policy issues in areas they deemed most critical, with some confidence that they would then fit these in a larger context for reporting purposes.

Recent efforts within the U.S. Agency for International Development to analyze private sector (including SSE) development activities have produced several formulations which are useful in this regard. One of them distinguishes several methods of intervention and loci for intervention to produce a 25 celled matrix, to represent the range of project inputs and targets. The matrix is presented in Table 2.* The matrix is in one sense a check list. It enables an evaluator to specify the major characteristics of a project while highlighting alternative approaches for comparative purposes. It helps in the grasping of essential project assumptions; for when a project design is analyzed in terms of such a conceptual framework it highlights the areas for, and types of, inputs which officials believe to be critical. It suggests as well the types and the locus of action which they assume (implicitly or explicitly) to be beyond their capacities or of secondary importance for overall project success; and where they trust other forces to act supportively. An analysis of these assumptions requires some effort by the investigative team to determine the character of the political and economic infrastructure in the project site prior to the beginning of the project; and it should consequently yield a useful picture of how complete a picture the original project designers had of the relationships of individuals over time within the project area.

The matrix described here is a modification of one used for some time by Dr. Dan Dworkin and his colleagues in the Office of Evaluation of AID. They might not recognize the use I am making of it, or accept the changes, but their work has been most helpful to me.

TABLE 2
THE SMALL ENTERPRISE DEVELOPMENT SYSTEM

Method of Intravention	Locas for Intravention				
	Entrepreneur (1)	Firm (2)	(Economy) Market (3)	Policy/ Regulatory System (4)	Social/ Community (5)
a) Financial	Credit program with <u>some</u> behavioral criteria	Credit for starting new firms (group/ sector focus)	Loan guarantee program	New government exchange business tax policy	Credit to community based enterprise
b) Management/ production assistance	Extension services for those showing certain adaptive traits	Extension services with similar targets (to 2/a)	Research on appropriate technology	Incentives for professionalization of extension services	Extension service for C.B.E.
c) Training	Programs to enhance entrepreneurial disposition	Conventional management training for 2/a group	Manpower training efforts	Training of cooperative development officials	Training of workforce C.B.E.
d) Institution building	Entrepreneurship development institutes (20+ nations)	Creation of extension service (2/a)	New research institute	Development of new small industry service institute or policies to encourage formation interest associa- tions for S.S.E	Formation of local bodies to promote C.B.E.
e) Infra- structure	Industrial estates built with reserved space for E.D.I. graduates	Industrial estate (2/a)	Local trans- port services in areas of S.S.E. concen- tration	Vans for public sector mobile extension/market- ing services	Development of community center for community based enter- prise

Evaluation case studies drawing on such a framework may also be better able to provide observations on impact sequences and social dynamics; since in using such a matrix investigators will be encouraged to suggest how the particular inputs in a project may be seen as spreading, or not spreading, to encompass other individuals or activities. The matrix in Table 2 deals with project design; but an evaluator could add consideration of variation in project management with the distinctions introduced earlier ("blue-print" v. "learning" approaches) or others.

Assessing Impacts

The most critical and immediate questions, of course, for those concerned with SSE project evaluation are:

1. Who has benefited and not benefited from the SSE projects, of various types and in various locales?
2. When have benefits served best to stimulate other economic and social development in a given locale?
3. When and where have these benefits been most fully sustained?

Unfortunately, there is little systematic data on the impacts of SSE projects. A major listing by the Technology and Development Institute of the East-West Center provided just one entry under the heading of "evaluations" (TDI, 1975). A more recent effort by Goldmark and Rosengard (1981) offers a useful summary of several evaluations; but even here the researchers found few evaluative studies--and little comprehensiveness and comparability.

In the evaluation literature, less formal evaluations dominate. Moreover, they tend to reflect assumptions of the various dominant approaches described here. Those who favor a focus on motivation and the entrepreneur agree that there is evidence that "regular" training, extension and credit supplies create firms--but not that they create really growth-prone or sustainable ones (McClelland and Winter, 1969). Those who focus on technological roadblocks report on the benefits of accounting and management courses, and the provision of scarce raw materials, and wonder why some spend time and energy on the difficult and questionable effort to change personalities (Kilby, 1971). Both these types, in turn, wonder about the length of commitment required for institution building, while those committed to

this approach would point to the growing documentation of failure in all development projects where concern for beneficiary participation and participatory institutions is not advanced (DAI, 1975; UNDP, 1979). They argue that where small enterprise development efforts generate entrepreneurial and employment opportunities for the poorer groups in a society, there are, through accident or design, mechanisms to give direction and provide protection for these groups (Smith, Thoolen and Letham, 1980).

Evidence can be found to support all of these assumptions. It is the type of selective evidence which serves to justify project replication, but does little to give a larger sense of what an effective SSE project is. This is a major task of the SSE evaluations now underway by development agencies such as AID and the World Bank.

The argument here is that these ongoing and prospective evaluations can contribute both to more systematic knowledge of the sector, and of development itself. But the evaluation studies must be sensitive to the largest range of alternative assumptions about project inputs and sequences--and which attempt to evaluate impacts in a more holistic fashion than is typical of most previous evaluations. Each evaluation should therefore at least take cognizance of all of the possible project outcomes suggested in the first section of this paper--and the relationships among them. These are:

1. Individual level benefits. (Sources of new entrepreneurs; numbers of new firms and jobs, etc.)
2. Economic and political linkages. (Range of economic links stimulated. Number of institutions created/stimulated to protect and enhance capacity of small businesspersons to express needs and concerns, etc.)
3. Community impacts. (Aggregate social and economic changes. Effect on quality of life generally in target communities.)

A complete list of impact indicators is included as an appendix to this report. These indicators, meant to be suggestive and general, were drawn from many sources, including the recent report on enterprise evaluation by Goldmark and Rosengard (1981). They are organized basically in terms of the three categories indicated here. As such, they also relate closely to the areas of relevance suggested by the various project types and strategies already reviewed.

Taken as tentative guidelines, along with the comparative material on project design and implementation, they should give useful direction to the necessarily still very individual efforts represented by impact evaluations.

Finally, we should note that many students and designers of SSE projects are beginning to speak of the need for more integrated, systematic perspectives and activities throughout the project cycle (Neck, 1977). These concerns are manifested in an emphasis on longer-term commitments, on reaching the smallest of firms in rural and urban areas, and on the use of generalists for tasks usually assigned to technicians (Ashe, 1980; Patel, 1978). Moreover, the impact analysis efforts of two large development agencies reflect the concern for equity which is forcing greater attention to the more deprived and the means of providing a full range of support for them.

APPENDIX
INDICATORS OF PROJECT IMPACT

The following indicators of the impact of SSE projects reflect an effort to deal with a substantial range of concerns. In fact, they are comprehensive--in the sense that they touch on all the major types of change sought in enterprise development projects. However, because of the very stress on covering a range of areas, some readers will find the indicator list inadequate--too general to provide guidance for actual field evaluation efforts, and too specific about areas which are of less interest to their own agency or organization, given their particular approach to development. The following points may be made in response to such concerns:

1. The listing is preliminary. Some of the problems in clarity and parallelism (some indicators listed are much more general than others), will be resolved in the forthcoming evaluation and policy review process within AID and elsewhere as the SSE sector is more actively researched.

2. Any final product, however, will still not provide a detailed list of questions for evaluation efforts. We have argued earlier for the utility of providing general guidance which would serve to suggest specific topics and questions; with it then being possible to convert these into appropriate survey instruments in light of project characteristics and situational constraints.

3. It is unlikely that any brief impact evaluation would allow for full coverage of most of the areas described below. Still, the degree of comprehensiveness provided by the listing will be of assistance both in structuring the questions to be asked in the field, and in organizing the written report. Moreover, informed speculation about areas where little "hard" data can be generated would certainly be of value.

4. Some of the indicators discussed here may appear inappropriate in that they raise political issues. Obviously organizations and agencies would want to omit consideration in public documents of issues which, if raised, could negatively affect relationships with host governments. However, political factors do affect success and failure in development projects and should be raised whenever possible in the consideration of project design, implementation, and evaluation. In any event, most "political" questions can be

raised in ways which significantly reduce the possibility that either the questions or the analysis will cause difficulty.

5. Finally, there is one possibly unanticipated benefit of the extensive list. Some agencies and officials may find in the list accomplishments to claim they had not previously considered.

Those who have been following various efforts within AID and the World Bank and elsewhere to develop an evaluation methodology for the SSE sector, and those who have been reviewing the published literature in the field, will find many of the indicators here to be familiar ones. The works of Pareek and Rao (1977) and of Development Alternatives, Inc. (1981) have been relied upon extensively. However, materials which have not been regularly or explicitly utilized for SSE evaluation efforts in the past, such as the large literature on institution building, have also been drawn upon here (Duncan, 1975). The list may therefore be seen as both synthetic and unique. But I do believe it represents the sum of real concerns of development practitioners in the field.

I. INDIVIDUAL AND ENTERPRISE LEVEL INDICATORS

A. Entrepreneurship and Enterprise Development

Goals: To determine how many of the direct beneficiaries of projects have raised their own standards of living. To determine, also, how well established the firms they manage are, and how sustainable their operations may be said to be.

1. Beneficiary mobility

- a. Past and current social and economic status of the individual beneficiary [Entrepreneur or potential entrepreneur].
 1. Amount of formal education of beneficiary.
 2. Previous occupational experiences.
 3. Education level of father; his occupation for most of his adult life.
 4. Education/occupation record for mother.
 5. Income record for beneficiary. Current and previous earnings.
- b. Amount of family business experience and connections.
 1. Number of family members with significant business operations. (Large enough to provide main source of income.)
 2. Extent of family expectations regarding business career for individual beneficiary. Degree of family financial support for his/her business operations. [Prospective support.]
- c. Family migration record: movement in recent generations for purposes of securing employment opportunities.
- d. Family social status: from minority/deprived community or social group or not.

2. Evidence of Entrepreneurial Disposition

- a. Planning orientation

1. Consideration of alternatives. Have the benefitting entrepreneurs considered alternatives before choosing their:

- a. business line[s];
- b. product line[s];
- c. business location;
- d. machines and equipment;
- e. technology and processes;
- f. sources of finance;
- g. areas of operation.

2. Utilization of information sources. Have the entrepreneurs been using different sources of information for each and all of the following functions:

- a. production;
- b. marketing;
- c. finance;
- d. procurement;
- e. personnel;
- f. control.

3. Goal setting. To what extent do the entrepreneurs have clarity of goals regarding:

- a. product line[s];
- b. production;
- c. quality;
- d. sales;
- e. cost reduction;
- f. profit;
- g. diversification;
- h. expansion;
- i. labor relations.

b. Achievement orientation.

1. Extent of the entrepreneur's:

- a. interest in self development through business attainments;
- b. awareness of personal and business obstacles and plans to meet them;
- c. commitment/capacity to respond to such obstacles as indicated by previous "critical incidents" in his/her business life.

2. Commitment to and plans for expansion of operations as suggested by entrepreneur's consideration of:
 - a. means for increasing production;
 - b. possible areas for diversification;
 - c. new partnerships and investment.
3. Enterprise Development Activities.
 - a. Operations Management. Entrepreneur's effectiveness in:
 1. production scheduling
 2. preventive maintenance
 3. marketing efforts
 4. sales
 5. fixed capital investment (management of, expansion of)
 6. working capital investment
 7. cash budgeting
 8. collections
 9. payments
 10. repayment of loans
 11. inventories
 12. standards of cost
 13. capacity utilization
 14. labor relations
 15. use of labor
 16. developing of personnel
 - b. Efforts to establish productive relationships with significant individuals and institutions in the environment outside the firm. Efforts to learn about, to develop mutually supportive relationships with:
 1. Governmental regulatory and assistance agencies;
 2. Mediating agencies such as chambers of commerce, business associations, cooperative societies;
 3. informal credit and marketing networks;
 4. Research and educational institutions and other sources of information on market

trends and financial resources;

5. Suppliers of basic resources (raw materials, equipment, maintenance services, etc.);
6. Customers.

c. Contingency planning.*

1. Extent of general planning for survival in difficult times; indications of past successes in such times.
2. Number of alternative sources of information, assistance considered and arranged for confronting unexpected difficulties.

4. Current Business Status

a. Enterprises and Jobs

1. Number of new enterprises created (substantially expanded) as direct result of the project.
 - a. Number now in operation, as percent of total number possible from the intervention. (As percent of new entrepreneurs

*This category may suggest, even more than do the others, that the indicators here pertain to relatively larger firms--at least not to tiny enterprises. For the idea of considering "survival strategies" for a one person food-vending operation may seem ludicrous. The response to this concern is similar to ones offered in the introduction: these indicators and categories of indicators are meant to provide guidance to areas of common concern. Specific questions in the case of the operators of a small chemical plant and of a tea stall would differ in this, and other cases. The argument implicit here is that some firms at all size and complexity levels survive--and others do not. These indicators offer an hypothesis about the causes of business survival which can be tested on any size firm, with appropriate modifications of the term "planning."

trained, or provided with technical and financial assistance, etc.)

- b. Number of additional firms likely to start within a limited period of time.

- 2. Estimated number of firms created or substantially expanded as indirect result of the project. (Backward and forward linkages.)

- 3. Degree of compatibility of new enterprises with each other, and with existing business:

- a. Is general effect of new firms to provide new services or goods needed in the community or to increase competition for the same market?

b. Enterprise Profitability

- 1. Total production
- 2. Expenditures
- 3. Gross sales and net sales
- 4. Total net assets
- 5. Net profits
- 6. Return on investment
- 7. Capacity utilization.

5. Enterprise Sustainability

- a. Total fixed costs
- b. Recurrent costs/investment
- c. Asset turnover
- d. Indebtedness/equity
- e. Incremental sales growth
- f. Incremental investment
- g. Profitability over time
- h. New products
- i. Product quality
- j. Worker turnover
- k. Market share.

Goals: To determine the effects of enterprise development projects on individuals other than owners and prospective owners of business firms.

Indicators in this case are closely related to those used in I. A. 1 (a,b,c). A review of those

indicators with workers, suppliers and customers in mind will produce equivalent indicators appropriate for those cases.

Other indicators relevant here are:

1. Number of jobs created by the starting up, and expanding, of enterprises (Directly and indirectly benefitting firms).
 - a. Percent which are new jobs--going to previously unemployed, or to new entrants to the workforce.
 - b. Percent which are permanent (beyond short-term infra-structure development, etc.)
 - c. Percent of jobs going to local inhabitants.
 - d. Percent requiring job skills not available locally.
 - e. Percent going to women, minorities, migrants to area.
2. Number of jobs eliminated by advent of new/expanded business operations (Direct and indirect losses).
3. Estimated comparable employment impacts of:
 - a. Alternative means of providing same services the new or expanded enterprises provide.
 - b. Alternative expenditure of project funds. (Effects of other possible projects on local unemployment.)

II. POLITICAL ECONOMY: LINKAGES AND INSTITUTIONALIZATION

A. Nature and Number of Support Organizations

Goal (for sections A, B, C below): To determine the scope and effectiveness of the organizations which have come up to support small enterprise development. This includes an assessment of the capacity of these public and private institutions, their relationship with each other, and their associations with other individuals and organizations in society whose actions influence the future development of the small enterprise sector.

1. Number of new public/private sector support agencies attributable to project activities.

(Financial, technical assistance, mediational, etc. agencies. Could include informal credit networks with traditional base, new cooperatives, and the like--as well as new financial and extension programs in the public sector.)

2. Range and comprehensiveness of the agencies, taken together.
 - a. Are major functional areas covered by the network of agencies? (Financial assistance, marketing and production advice, raw material supply, management training, etc.)
 - b. Is there adequate coverage of the different problems inherent in the various stages of enterprise start-up, consolidation, expansion, etc.?

B. Capacity of Key organizations. (Internal Factors.)

1. Leadership factors. (Relating to chief executives, chief operating officers, elected leaders of trade associations, etc.)
 - a. Amount of experience in related activities.
 - b. Indications of commitment to tasks. To small enterprise sector.
 - c. Indications of legitimacy: how are they regarded by staff, by clients?
2. Doctrine and Program
 - a. Clarity and continuity of agency programs/goals.
 - b. Extent to which small enterprise development is an established priority.
 - c. Amount of financial resource available for programs.
 - d. Effectiveness of internal communications process. What degree of commitment to and capacity for sharing or organizational information among senior and junior staff?
 - e. Extent to which the program is a product of a complex as opposed to a relatively simple policy making process? (i.e., is the program and action strategy pretty much the product of the thinking of one or

a few individuals, or does it emerge from a more open and participative process?)

3. Staff capability and commitment

- a. Opportunities for professional advancement emergent from positions with the organization.
- b. Amount and type of professional training of staff members.
- c. Opportunities for professional training. (Number and type of training programs available within organization, or to staff generally.)
- d. Staff knowledge of specific needs of small industrial and trade operations. Degree of match of staff skills and entrepreneurial needs.
- e. Degree of consensus among staff on organizational goals and strategy. (Degree to which staff regards organizational goals and strategy as legitimate.)

C. Capacity of Key Organizations. (External Relationships)

1. Relative autonomy of the agency/organization. To what extent, generally, does it set its own policies and day to day routine? (Have the capacity to carry out its program)
 - a. To what extent do efforts to aid small enterprises generate opposition within the society. (Public and private sectors?)
 - b. How powerful and effective are the opposing forces?
 - c. To what extent are agency programs vulnerable to "hijacking"--so that intended beneficiaries are blocked by more powerful interests?
 - d. To what extent has the agency been able to establish relationships with effective allies--at all levels of government and society? (Formal and informal ties to local community leaders. etc.)
 - e. Extent of agency access to emergency financial resources.
 - f. What indications are there that the agency's works are valued by significant government officials and organizations?

2. Relative adaptability of the key organizations. What indications are there that the major agencies can change strategies so as to protect essential goals--when internal and external changes dictate such changes?
 - a. Accuracy of perceptions by officials and staff of an agency regarding needs and dispositions of its clients and influential individuals and agencies in the society at large.
 - b. Extent to which these perceptions by staff and officials of the agency are similar. (Do they agree on what their clients and others expect?)
 - c. Range and number of information sources regularly available to the agency.
 - d. Past response to critical incidents: indications of changes to meet previous problems. (Indications of creative response, etc.)
 - e. Access to emergency financial resources.
 - f. Capacity to mobilize support in society to support changes (expansion, diversification, etc.)
3. Quality of business relationships with main sponsors and clients.
 - a. Number of paying clients (or regular cooperative/association memberships, etc.)
 - b. Change over time.
 - c. Payment/re-payment record of main clients, business associates, etc.
 - d. Record on appropriations from external sources (governments, foreign and domestic, etc.) Percentage of operating budget, and change over time. Expectations for future.
 - e. Regularity of contacts with clients. Existence/non-existence of regular meetings among business associates, clients, etc.
 - f. Extent to which clients/beneficiaries are provided access to the decision-making process of the agency.

III. COMMUNITY DEVELOPMENT

A. Aggregate Impacts on the Local Community

Goals: To determine the wider social impact of enterprise development projects. To what extent does the whole community benefit from efforts to aid small business?

1. Economic Factors

- a. Community income. (Total and/or net community income.)
- b. Changes since inception of project and small enterprise development activity.
- c. Community consumption patterns. (Indicated by such things as food and merchandise in markets.)
- d. Indicators of distribution of community resource. (Salary/income differentials; patterns of consumption; distribution of consumption goods by household.)
- e. Total employment. Net changes in employment.
- f. Wages and benefits, changes over time.
- g. Job-days worked, income and benefits, by social category. (Class, minority status, sex.)
- h. Secondary employment and income effects: backward and forward linkage effects.

2. Basic Social Services. Basic Community Social Services.

- a. Health services attributable to enterprise promotional efforts and business activity.
- b. Community training and educational programs associated with business expansion. (Formal and non-formal educational programs, apprenticeship programs supportive of business needs.)
- c. Women's programs.
- d. Community welfare services.
- e. Public services (road maintenance, sanitation services, development of potable water, etc.)

- B. Community Cultural and Social System: Complexity and Integration.
 - 1. Community identity system. (Growth of community "spirit" and symbols, etc.)
 - a. Evidence of corporate symbols. (Group activities, celebrations). "Sense of community."
 - b. Indications of change (increase) in number, range, and significance of corporate symbols--in the wake of project impacts.
 - 2. Expansion and institutionalization of community activism. (Community-wide social system.)
 - a. Number of community (non-business or "transbusiness") groups whose development is related to enterprise promotional activities and business development.
 - b. Range of participation in community activities. (Degree of inclusion/exclusion by age, sex, class, etc.)
 - c. Extent and growth of available links of public to sources of economic and political power in the community. (To the local policy making network.)
 - d. Extent of community promotional activities by small enterprise sector representatives.
 - e. Overall effect on local self-government. Effect on public involvement in local government.
- C. Environmental Impacts of Business Expansion. (Eco-system changes and degree to which non-renewable energy resources are used by enterprises.)
- D. Migration effects. Net rural-urban population movement.

Summary question[s]: Who benefited and by how much? How much did these results cost, compared to alternative means of accomplishing the same ends? Are the benefits sustainable and are they likely to grow?

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